

Glossary

Accrual basis of accounting

The basis of accounting whereby revenues are recognized when earned and measurable regardless of when collected; expenses are recorded on a matching basis when incurred. All proprietary and fiduciary funds use the accrual basis of accounting.

Activity

An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and produces a product(s), service(s), or outcome(s).

Affinity diagram

A creative process, used with or by a group, to gather and organize ideas, opinions, issues, etc.

Agency

Every state agency, office, board, commission, department, state institution, or state institution of higher education, which includes all state universities, regional universities, The Evergreen State College, and community and technical colleges.

Allocation

The process of assigning a cost to one or more service units in reasonable and realistic proportion to the benefit provided or other equitable relationship.

Alternatives phase

The period of time in the competitive contracting process referred to in RCW 41.06.142 (4) (a).

Avoidable indirect costs

Those indirect costs that are directly attributable to a service and would be reduced or eliminated if the service were not performed within state service.

Bargaining unit

The group of employees in positions determined by the Public Employment Relations Commission (PERC) to constitute a unit represented by an employee organization (labor union) and appropriate for bargaining purposes.

Capital assets

Assets that meet the state's capitalization policy such as land, buildings, leasehold improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in state operations, cost at least \$5,000, and that have initial useful lives extending beyond one year (Capital assets do not include limited resources such as minerals or timber.)

Collective bargaining

The performance of the mutual obligation of the representatives of the employer and the exclusive bargaining representative to meet at reasonable times and to bargain in good faith in an effort to reach agreement with respect to the subjects of bargaining specified under RCW 41.80.020. The obligation to bargain does not compel either party to agree to a proposal or to make a concession, except as otherwise provided.

Competitive contracting	The process by which classified state employees compete with businesses, individuals, nonprofit organizations, or other entities for contracts to provide service to the agency.
Concurrent engineering	A systematic approach to the integrated, concurrent design of services and their related processes. This approach is intended to cause developers of services, from the outset, to consider all elements of the service's life cycle when creating requirements; from concept through end of life.
Customer engagement strategy	The holistic approach toward managing the full scope of a relationship with a customer. This approach differs from traditional marketing strategies in that it anticipates and plans for every interaction with a customer starting from the first transaction onward with the purpose of attracting, capturing, servicing, and maintaining customers.
Depreciation	The portion of the cost of a capital asset representing the expiration in the useful life of the capital asset attributable to usage wear and tear, deterioration, action of the physical elements, inadequacy, and obsolescence which is charged off during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is prorated over the estimated useful life of such an asset. (Land is not depreciated because it does not have a limited useful life.)
Direct costs	<p>Those costs that are consumed or expended for the exclusive benefit of a service and thus are totally (100 percent) chargeable to the service. These costs are directly traceable and are usually charged directly to the service.</p> <p>Note: For competitive contracting, RCW 41.06.142 identifies these direct costs that relate to the performance of a service as: employees' salaries and benefits, space, equipment, materials, and other costs necessary to perform the service.</p>
Displaced employee	As defined in WAC 236-51-010 (11) a classified employee whose position or work would be eliminated, resulting in the employee being laid off or assigned to a different job classification, as a result of an award via the competitive contracting process.
Employee Business Unit (EBU)	A group of state employees who perform services to be competitively contracted and who submit a bid for the performance of those services.
Employee organization	Any organization, union, or association in which employees participate and that exists for the purpose, in whole or in part, of collective bargaining with an agency.
Evaluation model	The standard required framework for costing of a state-performed service and then comparison to the best alternative source.
Exclusive bargaining representative	Any employee organization that has been certified under RCW 41.80 as the representative of the employees in an appropriate bargaining unit.
Fixed costs	Those costs that do not change over a given period, despite changes in service, production, or other cost drivers.

Full Time Equivalent (FTE)	One full calendar year of paid employment (the equivalent of 2,088 paid hours), including callback, overtime, and replacement help while an employee takes compensatory time and all paid leave.
Fully allocated costs	Those costs associated with a service including the cost of employees' salaries and benefits, space, equipment, materials, and other costs necessary to perform the service, such as avoidable indirect costs.
Indirect overhead costs or indirect costs	The term indirect overhead cost is used in competitive contracting to refer to the cost of items that benefit more than one service. In this guide, the simpler term "indirect cost" is used interchangeably. Indirect costs include the various administrative and support activities provided to a service by other sections of the agency. These costs are generally assigned to a service through cost allocation. Examples of indirect costs can include personnel and fiscal services and the director's office.
Labor Relations Office (LRO)	The LRO manages the collective bargaining process with union-represented state employees on behalf of the Governor, as established in the Personnel System Reform Act (PSRA) of 2002. The Labor Relations Office (LRO) is a unit in the Office of Financial Management.
Modified accrual basis of accounting	The basis of accounting under which expenditures, whether paid or unpaid, are formally recognized when incurred against the account, but revenues are recognized only when they become both measurable and available to finance expenditures of the current accounting period. All governmental funds use the modified accrual basis of accounting.
Multi-voting	A way to select the most important items from a brainstormed list with limited discussion and difficulty. It is accomplished by a series of voting rounds, usually 2 or 3, which cut the list of items in half with each vote. It usually occurs after a brainstorming session in which many items have been identified.
Net present value	The sum of dollars to be paid (or received) over a number of years, restated to their cash value today. The net present value of a contract equals the total of net cash paid (or received) in each year, discounted (or converted into today's dollars) using the cost of capital (i.e. interest rate). This technique is one tool that may be utilized to assist management in evaluating the relative cost of contract proposals.
Performance-based contracting	A performance-based acquisition that describes and communicates measurable outcomes rather than a direct performance process (i.e. it instructs service providers on what needs to be done not how it needs to be done). Service requirements are defined in terms of performance objectives, and a service provider is allowed the latitude to determine how to meet those objectives.
Performance Work Statement (PWS)	As defined in WAC 236-51-010 (20) a statement of the technical, functional and performance characteristics or requirements of the work to be performed. The statement identifies essential functions to be performed, determines performance factors, including the location of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units.

**Personnel Systems
Reform Act of 2002
(PSRA)**

Legislation passed in 2002 that contains three major elements: reform of the state civil service classification system, full scope collective bargaining for public employees and competitive contracting for services including services that have been customarily and historically provided by employees in the classified service.

**Priorities in Government
(POG)**

An approach that helps guide budget decisions by producing a results-based prioritization of state activities
(see <http://www.ofm.wa.gov/budget/pog/default.htm>).

Pro-forma depreciation

The pro-forma depreciation amount is equal to the depreciation that would have applied to the capital asset had the agency utilized the Accrual Basis of Accounting, rather than expensing the full cost of the asset when purchased (per the Modified Accrual Basis of Accounting).

Quality Assurance Plan (QAP)

As defined in WAC 236-51-010 (22) a plan by which an agency will monitor a contract awardee's performance to ensure that the standards of the performance work statement are met within the costs, quality of service, delivery, and other standards of the contract.

Request For Proposal (RFP)

Any type of bid request documentation. Is synonymous with Request for Quote (RFQ) and Invitation to Bid (IFB).

Responsible bidder

A person (or entity) that has the capability in all respects to perform in full the contract requirements and meets the elements of responsibility as defined in RCW 43.19.1911(9).

Responsive bidder

A person (or entity) whose bid conforms in all material respects to the terms and conditions, specifications, and other requirements of a solicitation.

Root cause analysis

The process of finding and eliminating the cause of a problem, which would prevent the problem from returning. Root cause analysis employs a number of techniques for problem identification.

**Evaluation summary
Schedule A**

The Evaluation Summary form that provides summary cost information from Schedules B, C-1, and C-2, as well as other key information needed to complete the Evaluation Model.

**Evaluation summary
Schedule B**

The Contracting Cost Comparison form that identifies the full cost of competitive contracting including the private service provider's price(s), contract administration costs, transition costs, and other costs. It compares these total costs to the EBU's bid and the cost of keeping the current service delivery approach.

**Evaluation summary
Schedule C-1**

The Current Service Delivery Cost Projection form that projects the direct, indirect, and other related costs of the current service delivery approach.

**Evaluation summary
Schedule C-2**

The EBU Bid Cost Project form projects the direct, indirect, transition, and other costs related to service delivery by an EBU.

Unavoidable indirect costs

Those indirect costs that would not be increased or reduced whether the service were performed by the agency or not. These costs usually support the entire organization, are not directly attributable to specific services, and tend to not be affected by fluctuations in service levels. These costs will not be included in the Evaluation Model.

Value

The value of a service is the ratio of its performance results to its costs:

$$\text{Value} = \frac{\text{Results}}{\text{Cost}}$$

Results are defined by the performance standards to which the work is done; costs are determined using guidance outlined in this manual (see Chapter 3). A bid's "value proposition" is the particular set of proposed results and costs contained in the bid. In general, a higher value of service is gained by decreasing costs while keeping the level of results the same, or by increasing the level of results while keeping costs the same (assuming that the increase in results provides benefits to the purchaser) (see Chapter 2 for a more detailed discussion of value).

Value chain analysis

See value engineering...

Value engineering

An organized effort directed at analyzing the functions of systems, equipment, facilities, services, and supplies for the purpose of achieving the essential functions at the lowest life-cycle cost consistent with required performance, reliability, quality, and safety.

Variable costs

Those costs that change in direct proportion to changes in a cost driver.

Work Breakdown Structure (WBS)

In the context of competitive contracting, a WBS is an exhaustive, hierarchical (from general to specific) breakdown of the meaningful task levels and linking those tasks to form a logical flow of activities. It is the output that results from a Work Analysis (see section 2.3.2).